



United States Department of Agriculture
Office of Inspector General





Hispanic and Women Farmers and Ranchers Claim Resolution Process

Audit Report 50601-0002-21

What Were OIG's Objectives

Our objective was to determine if the claims review process was adequate and functioning as prescribed, and to ensure that funds were distributed only to eligible applicants. We also determined if the contract was administered correctly.

What OIG Reviewed

We reviewed the claims review contract to determine if it was implemented according to policies and regulations. We selected a random statistical sample from each of the three tiers (1a, 1b, 2) and a non-statistical sample of approved 1b claims.

What OIG Recommends

We recommend that USDA appoint a qualified COR to review the prior COR's activities and the contractor's performance measures to ensure that the contract was administered correctly.

OIG reviewed how USDA settled allegations of discrimination against Hispanic and women farmers.

What OIG Found

In 2008, Congress directed that all pending claims and class actions brought against the Department of Agriculture (USDA) by socially disadvantaged farmers or ranchers, including Hispanics and women, be resolved in an expeditious and just manner. As part of this process, a settlement fund of \$1.33 billion was established for eligible Hispanic and women farmers and ranchers, and USDA contracted with a company specializing in claim resolution to resolve these pending claims. That company distributed claim forms, as well as received, processed, adjudicated, and paid the claims, while USDA oversaw the contract.

Overall, we concluded that the contractor executed a strong process to ensure that funds were paid to eligible Hispanic and women farmers. Our tests did identify minor errors in the processing and adjudication of claims, but those errors did not materially affect the process. We concluded that claimants who received an award were likely eligible.

However, we determined that USDA's Procurement Operations Division, within the Office of Procurement and Property Management, needed stronger management controls to ensure the claims process was implemented according to the terms and conditions of the contract. Specifically, the contractor did not timely remove ineligible claimants, referred to as prior participants, from the claims process, resulting in overpayments to the contractor of over \$144,000. In addition, USDA appointed a Contracting Officer's Representative (COR) who did not meet qualifications to oversee this contract, and did not adequately supervise the COR.

USDA generally agreed with our findings and recommendations, and we reached management decision for the two recommendations.



United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250



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AUDIT
NUMBER: 50601-0002-21

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SUBJECT: Hispanic and Women Farmers and Ranchers Claim Resolution Process

This report presents the results of the subject audit. Your written responses to the official draft report, received on March 30, 2016, are included in their entirety at the end of this report. Your responses and the Office of Inspector General's position are incorporated into the relevant sections of the report. Based on your written responses, we are accepting management decision for both audit recommendations in the report, and no further response to this office is necessary.

In accordance with Departmental Regulation 1720-1, final action is to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publically available information and will be posted in its entirety to our website (<http://www.usda.gov/oig>) in the near future.

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Background and Objectives

Background

In 2000, groups of Hispanic and women farmers and ranchers filed separate lawsuits against USDA—*Garcia v. Vilsack* and *Love v. Vilsack*.¹ The lawsuits alleged that from 1981 through 2000, the Department of Agriculture (USDA) discriminated in its farm benefit programs on the basis of race, ethnicity, and gender. In addition, they alleged that USDA did not investigate individuals' complaints of discrimination with the agency. The Food, Conservation, and Energy Act of 2008 directed that all pending claims and class actions brought against USDA by socially disadvantaged farmers or ranchers, including Hispanics and women, based on racial, ethnic, or gender discrimination in farm program participation be resolved in an expeditious and just manner.² In February 2011, USDA, in conjunction with the U.S. Department of Justice (DOJ), established a voluntary administrative claims process to resolve discrimination allegations by eligible Hispanic and women farmers and ranchers.

The claims process established by USDA and DOJ made available more than \$1.33 billion from the Judgment Fund³ for cash awards and tax relief. In addition, USDA provided debt relief of up to \$160 million by administratively cancelling debts for eligible loans. Eligible claimants were limited to Hispanic or women farmers and ranchers who applied or attempted to apply for a farm loan (or loan servicing) and who allegedly experienced discrimination during the relevant period.⁴ Any farmer who also asserted claims in any other administrative or civil proceeding alleging lending discrimination by USDA and who received a final resolution of his or her claim was not eligible to participate in this claims process (these individuals are referred to as prior participants).⁵ Additionally, if more than one claimant operated a single farming operation,⁶ recovery was limited to one claim.

USDA and DOJ established “The Framework,” which describes USDA’s and the contractor’s responsibilities and the criteria designed to ensure that funds were paid only to eligible claimants who met the burden of proof. The Framework provided claimants with the option to elect one of three tiers,⁷ each with different requirements and potential payments. Claimants who elected tier

¹ *Garcia v. Glickman*, No. 00-2445 (D.D.C.) (filed Oct. 13, 2000) (now *Garcia v. Vilsack*) and *Love v. Glickman*, No. 00-2502 (D.D.C.) (filed Oct. 19, 2000) (now *Love v. Vilsack*).

² Food, Conservation, and Energy Act of 2008, Pub. L. No. 110-246, §14011.

³ The Judgment Fund is a permanent, indefinite, appropriation available to pay final money judgments and awards against the United States. 31 U.S.C. § 1304.

⁴ If Hispanic, the claimant had to have farmed, or attempted to farm, between January 1, 1981 and December 31, 1996, or between October 13, 1998 and October 13, 2000. If female, the claimant had to have farmed, or attempted to farm, between January 1, 1981 and December 31, 1996, or between October 19, 1998 and October 19, 2000 (collectively, the “relevant period”).

⁵ To be considered a prior participant and ineligible for the Hispanic and women farmers and ranchers resolution process, a claimant must have submitted a claim for another settlement process (e.g., *Pigford v. Glickman*, No. 97-1978 (PLF) (D.D.C.); *In Re Black Farmers Discrimination Litigation*, No.08-mc-0511 (PLF) (D.D.C.); and *Keepseagle v. Vilsack*, No.1:99CV03119 (D.D.C.)), and received a final resolution of that claim.

⁶ If multiple parties alleged discrimination relating to the same farming operation and were successful, the award was split equally between claimants who shared that same farming operation.

⁷ Tier 1a, tier 1b, and tier 2.

1a asserted that they had applied or attempted to apply for a loan. Successful tier 1a claimants that met the substantial evidence⁸ requirement were eligible for up to a \$50,000 cash award, tax relief on that award, and debt and debt tax relief from USDA on eligible farm loans.⁹ Claimants who applied for a loan could elect to proceed under tier 1b, which provided payments of up to \$250,000 for proven actual damages, plus debt relief from USDA on eligible farm loans. This election was available to claimants who submitted documentary evidence admissible under the Federal Rules of Evidence, and proved the claim by a preponderance of evidence.¹⁰ However, tier 1a and tier 1b claims were subject to an aggregate cash award dollar cap which, if exceeded, would reduce a successful claimant's award on a pro rata basis, so as not to exceed the dollar cap. Finally, those who had applied for a loan could elect to submit a claim under tier 2. Successful tier 2 claimants who provided certain documentation that met the substantial evidentiary standard were eligible for a \$50,000 cash award, tax relief on that award, and debt and debt tax relief from USDA on eligible farm loans. Unsuccessful tier 2 claims were automatically reviewed to determine whether they met evidentiary standards for a tier 1a award (refer to Exhibit D for tier descriptions).

USDA's Role

To ensure an unbiased review and processing of the claims, USDA contracted with a company that specializes in claims resolution. USDA's Office of the General Counsel (OGC) played a limited role by providing legal guidance to resolve any ambiguity in the Framework or the contract terms and conditions. Additionally, USDA's Procurement Operations Division (POD), within the Office of Procurement and Property Management,¹¹ awarded the contract on behalf of the government and, with Rural Development, provided contract oversight.

POD managed the award process and selected the contractor that implemented the claims process. To find a contractor, POD officials solicited offers through full and open competition. The Source Selection Evaluation Board¹² reviewed six proposals before awarding the contract to an entity that had previously worked with USDA to administer other class action resolutions. The contract vehicle used for this claims process was an indefinite delivery indefinite quantity type of contract, meaning that actual quantities were unknown and POD officials ordered services performed under the contract by task order. Funds for services under this contract were obligated by each task order. As of June 30, 2015, USDA had paid the contractor more than \$13.5 million for administration and adjudication services performed under this contract.¹³

⁸ Substantial evidence is defined as such relevant evidence appearing in the record that a reasonable person might accept as adequate to support a conclusion after taking into account other evidence that fairly detracts from that conclusion.

⁹ A successful tier 1a claimant could receive an award including tax relief of up to \$62,500, plus any eligible debt and debt tax relief.

¹⁰ Preponderance of evidence is such relevant evidence, as necessary, to prove something is more likely true than not true.

¹¹ The Office of Procurement and Property Management is an office within USDA's Departmental Management.

¹² This group consisted of representatives of the various function and technical areas involved with the contract, such as OGC, the Farm Service Agency, and the Office of the Assistant Secretary for Civil Rights.

¹³ USDA Hispanic and Women Farmers and Ranchers Claims Administration and Adjudication, AG-3143-C-12-0011, issued May 10, 2012.

POD officials also assigned a Contracting Officer (CO) with the primary responsibility to enter into and administer the contract. The CO had additional responsibilities that included: the interpretation of the contract, resolution of any disputes, modifications to contract terms or conditions, development of delivery schedules, and final decisions on invoice payments.

Also, Rural Development nominated Contracting Officer Representatives (COR),¹⁴ which were approved by the CO to oversee the technical aspects of the contract and to monitor deliverables.¹⁵

Claims Process

Any individual who elected to participate in the claims process had to submit a completed claim form, an executed settlement agreement, and, as applicable, an executed stipulation of dismissal with prejudice directly to the contractor. The contractor was responsible for claims administration, including distributing, receiving, and processing all claim packages, as well as claims adjudication.¹⁶ In addition, the Framework and contractor's procedures required that claimants who participated in prior settlements (i.e., prior participants) be removed during claims processing. When the contractor received a claim package, the claim package entered the process known as claims administration. During the claims administration process, the contractor determined whether the claim package was timely and complete, and subsequently notified the claimant of its determination. The contractor notified the claimant of any missing information or documentation and provided the claimant with an opportunity to complete the claim prior to the close of the claims period.¹⁷ Nearly 54,000¹⁸ claims were submitted in this claims process. Approximately 32,000 claims were denied for being incomplete or late, or because the claimant was a prior participant. Approximately 22,000 claims were determined to be timely and complete, and were forwarded to adjudication.

During the claims adjudication process, the contractor reviewed all timely and complete claims, and made a determination on whether the claims met required evidentiary standards for the elected tier. If, in the contractor's judgment, additional information was required to make a determination, the contractor sent a request for information (RFI) to the claimant. During the adjudication process, the claims were subject to other analyses, including fraud review,¹⁹ single

¹⁴ Due to high staff turnover, there were multiple COs and CORs assigned to this contract.

¹⁵ To avoid any conflict of interest with USDA's Farm Service Agency, Rural Development managed the technical aspects of the contract.

¹⁶ In addition to the Framework, the contractor developed internal guidelines. Some examples included procedures to administer and adjudicate claims, and also to review claims for quality control and fraud.

¹⁷ The claims period closed on May 1, 2013; however, claimants who had timely submitted a claims package by May 1, 2013, had until July 31, 2013, to amend incomplete claims.

¹⁸ This is the total number of claims received as of July 3, 2015. Claimants continued to submit claims packages through July 2015. However, all initial submissions received after May 1, 2013, were deemed untimely and denied participation in this claims process.

¹⁹ The Framework required the contractor to identify claims that presented a fraud concern.

farming operation analysis,²⁰ and quality control procedures,²¹ to ensure eligible claims met required evidentiary standards.

After claims adjudication was complete, claimants were informed in writing of the contractor's final decision. For all successful claims, the contractor coordinated and carried out the payment process.

Fraud Concerns

The Framework required the contractor to establish procedures to identify claims that presented a fraud concern. A claim posed a fraud concern if it contained similar characteristics to other claims, such as similar language, handwriting, format, phraseology, or geographic location. To identify the fraud concerns during the adjudication process, individual adjudicators analyzed claims following the contractor's fraud guidelines. Based on individual adjudicators' concerns, the contractor identified similarities between claims, summarized the attributes, and formulated possible fraud patterns. Once these analyses were complete, the contractor provided descriptions of 350 possible fraud patterns²² to the Chief Adjudicator.²³ From this sampling, the Chief Adjudicator approved 176 fraud patterns. Those claims that were determined to fit one of the approved patterns were subsequently denied for a fraud concern.²⁴

Overall, approximately 47 percent of the claims adjudicated were denied for a fraud concern based on the patterns approved by the Chief Adjudicator. Of the roughly 22,000 adjudicated claims, the contractor found over 13,000 claims that possibly fit a pattern. Ultimately, the Chief Adjudicator denied 10,361 claims for a fraud concern.²⁵ Any claims that did not fit these patterns continued through the adjudication process and were subject to additional processes to determine if they qualified for an award (e.g., single farming operation, quality control review, etc.).

Results of the Claims Process

For tier 1a claims, the adjudicators reviewed over 21,000 claims and approved 3,176 of them for an award. As a result, USDA awarded approximately \$200 million in settlement of the tier 1a claims, of which about \$156 million was for cash awards, about \$39.8 million was for tax relief, and about \$4.3 million was for debt relief.

²⁰ Additional analysis was conducted on successful claims to determine whether multiple claimants submitted a claim for the same farming operation. If multiple claimants were successful, the award was split equally between claimants.

²¹ The contractor completed additional reviews of selected claims to ensure consistency of adjudication decisions.

²² Approximately 90 other potential patterns were identified; however, all claims with those patterns were denied because they did not meet evidentiary standards.

²³ The Chief Adjudicator served as the team lead for adjudication and was responsible for the final determinations on all claims. The Framework does not allow appeals by claimants or USDA to challenge decisions made by the adjudicator's decision on a claim, or the adjudicator's decision as to the amount of debt eligible for debt relief.

²⁴ If a claim was already denied because it did not meet evidence requirements, it was generally not denied for a fraud concern. According to OGC, the Framework does not require those claims denied for a fraud concern to be investigated.

²⁵ USDA Status Report for Civil Action No. 00-2502, June 8, 2015.

For tier 1b claims, the adjudicators reviewed over 250 claims and approved 10 of those claims totaling about \$3.7 million in settlements. This resulted in total cash awards of \$2.5 million and about \$1.2 million in debt relief on eligible loans.

The adjudicators reviewed over 500 tier 2 claims and approved 24 of those claims, totaling about \$3.3 million in settlements. As a result, USDA awarded \$1.2 million in cash awards, over \$500,000 in tax relief, and total debt relief of approximately \$1.6 million for tier 2 claims.

Overall, out of approximately 54,000 claims²⁶ submitted in this claims process, over 22,000 claims were determined to be timely and complete and moved to adjudication. Of the roughly 22,000 adjudicated claims, approximately 3,200 were approved for an award. This resulted in approximately \$207 million in awards being paid through this settlement process (refer to Exhibit C for the overall results).²⁷

OIG's Role

The Framework provides that the Secretary of Agriculture would request that the Office of Inspector General (OIG) conduct a performance audit of claims. On July 12, 2013, the Secretary of Agriculture formally requested that OIG initiate a performance audit of the Hispanic and women farmers and ranchers' claim process. OIG subsequently initiated this review in September 2013.

Objectives

Our objective was to determine if the claim review process was adequate and functioning as prescribed, and to ensure that funds were distributed only to eligible applicants. Additionally, we were to determine whether the contract was implemented in accordance with policies and regulations.

²⁶ As of July 3, 2015.

²⁷ This amount includes tax and debt relief.

Section 1: Claims Review Process

Finding 1: Contractor's Processes Ensured That Eligible Claimants Were Awarded Funds

Overall, we concluded that the contractor developed and executed a strong review process to ensure that funds were paid to eligible Hispanic and women farmers and ranchers who met the burden of proof requirements. Our tests did identify minor errors in the processing and adjudication of claims. However, the errors did not materially impact the claims process. Furthermore, based on the errors we identified, the contractor completed corrective actions and implemented additional procedures to enhance the claims process. As a result, we concluded that claimants who received an award were likely eligible to receive the payment.

The Federal Government hired a contractor to implement a claims review process consistent with the Framework. This required the contractor to develop procedures to evaluate claims in two separate phases, if applicable,²⁸ which were (1) claims administration and (2) claims adjudication. After claims administration, all timely and complete claims proceeded to adjudication. Those claims that then met evidentiary standards were subsequently approved, resulting in the claimant receiving an award.

Claims Administration

Claims administration refers to the process the contractor used to determine if the claims were received timely²⁹ and complete (i.e., claimants submitted a claims package with all required documentation). To start the process, claimants who elected to participate mailed a claim form, including any required documentation, to the contractor. Once received, the contractor reviewed the claims package to determine whether the claimant provided all responses and required documentation for the tier selected on the form. If the claim form was missing any required information or documentation, the contractor notified the claimant to allow him/her an additional opportunity to provide the missing information. If the claimant then provided all missing information and required documentation, the claim was considered complete and was forwarded to the adjudication process. In contrast, any claim that did not have all of the required information and documentation was considered incomplete and was not forwarded for adjudication.

After the claim submission period closed, the contractor implemented two processes to ensure that all complete claims were properly identified and forwarded to adjudication. For example, the contractor reviewed incomplete claims with two areas or less of missing information in the claim form to determine if there was information located elsewhere in the claims package to answer the missing information. The contractor reviewed over 4,700 incomplete claims with two or less areas of missing information. Additionally, per the Framework, any tier 2 claims that

²⁸ All timely claims are evaluated for completeness during claims administration; however, not all proceed to claims adjudication.

²⁹ An initial submission of a claim package must have been postmarked by May 1, 2013. Claimants who met this requirement had until July 31, 2013, to submit additional information or documentation to complete their claim.

were submitted in a timely manner, yet found to be incomplete under tier 2 requirements, were reviewed using tier 1a requirements. Approximately 270 additional claims were reviewed for completeness as tier 1a claims that were originally submitted as tier 2 claims. As a result of these two processes, approximately a total of 5,000 incomplete claims were reviewed. Of these 5,000 claims, approximately 1,800 claims were deemed complete and forwarded to the adjudication process.

We statistically selected a random sample of 100 claims from over 22,000³⁰ incomplete claims submitted to the contractor between September 2012 and January 2014³¹ to assess whether the claims were processed in accordance with the Framework and other applicable guidelines.^{32, 33} Specifically, we reviewed the claims to determine if they were submitted timely to the contractor, whether the contractor adequately processed the claim form, including the identification of any missing information and documentation, and whether the contractor provided the proper notification to the claimant of the missing information. Additionally, we reviewed the claims to determine if the two additional processes were implemented as intended to ensure that all complete claims were forwarded to adjudication.

We determined that 95 of the 100 claims in our sample were processed in accordance with applicable guidelines. For the other five claims, the contractor incorrectly determined that the claims were incomplete and did not forward them for adjudication. For example, the claimants in four of the five claims had asserted that they both applied and attempted to apply for a loan.³⁴ We concluded that in three of the four instances, the claims should have been complete as an “applied for a loan” application. The fourth claim should have been complete as an “attempted to apply for a loan” application. The fifth claimant was not notified that he/she was missing and needed to provide a settlement agreement.³⁵

We discussed these four claims with the contractor, who agreed to review them. The contractor found that if these claims were deemed complete and adjudicated, three of the four claims would have been denied for various reasons, including fraud concerns and insufficient documentation.³⁶ We found the other claim had sufficient information to be complete, but required clarification from the claimant for the contractor to determine the outcome of the claim. We requested the

³⁰ As of July 3, 2015, there were approximately 32,000 claims that were submitted, including those filed after the due date.

³¹ While the claims process closed in July 2013, claimants continued to submit claims after the closing date. Even though these claims were late and ineligible for processing, they were included in the universe provided by the contractor in January 2014.

³² See Scope and Methodology section for a discussion of the sample selection procedures.

³³ The universe contained claims from all three tiers—1a, 1b, and 2; a combination of tiers; and claims where a claimant did not select a tier.

³⁴ To be eligible in this claims process, the claimant had to have attempted to obtain a loan or loan servicing, i.e., requested a loan application, or actually applied for a loan or loan servicing, meaning he/she submitted an application.

³⁵ The Settlement Agreement includes the terms with which the claimant must agree in order to participate in this claims process, including that all decisions made by the Administrator and Adjudicator are final and binding. Additionally, in exchange for consideration in the claims process, the claimant and his or her heirs, administrators, successors, assigns, and representatives release and forever discharge the United States, USDA, and any department, agency, or representative from any credit-related discrimination claims.

³⁶ We agree these three claims would not have met evidentiary standards.

contractor send an RFI to the claimant; however, the contractor disagreed that the claim was complete and decided that no further action was required since the claimant did not respond to initial correspondence. While we disagreed with the contractor's conclusion, the Framework states there will be no appeals available to claimants or USDA to challenge the administrator's decision on whether a claims package is timely and complete.

For the remaining claim, we determined that the contractor had not notified the claimant that he or she was missing a settlement agreement. If notified, the claimant would have had the opportunity to provide a settlement agreement, which may have resulted in the claim being deemed complete. The contractor reviewed this claim and found that if adjudicated, it would not have met evidentiary standards.³⁷ To address our concern over the missing settlement agreement error, the contractor agreed to query all incomplete claims and found there were 15 additional claims where the claimant was not notified about missing a settlement agreement within the claims package. These claims would have been complete if they contained a signed settlement agreement. However, in all cases, the contractor found that, if adjudicated, none of the 15 claims would have met the required evidentiary standards.³⁸

Overall, from our statistical sample of incomplete claims, we estimate that 21,588 of 22,487 claims (96 percent) were generally processed properly regardless of whether the claimants asserted they applied, attempted to apply, or both.³⁹ Therefore, we concluded that these errors were immaterial and that the contractor adequately implemented the claims administration process.

Claims Adjudication

The contractor adjudicated claims deemed to be complete to determine whether they met eligibility and evidence requirements for an award.⁴⁰ In accordance with the Framework and the contract, the contractor also completed additional reviews to ensure consistency in the adjudication process and that awards were justified. These included reviews for fraud,⁴¹ single farming operations,⁴² and quality control.⁴³ The contractor also was required by the Framework to identify and deny any claims from claimants who asserted claims in other administrative or civil proceedings, including other USDA discrimination settlement processes, where the claimant

³⁷ We agree this claim would not have met evidentiary standards.

³⁸ The claims did not fall within our random statistical sample; therefore, we did not validate whether these decisions were consistent with guidelines.

³⁹ We are 95 percent confident that the estimate of claims that were incomplete and generally properly processed ranges between 20,711 and 22,464 claims. This projection is based on the four "applied" and "attempted to apply" claim errors. The settlement agreement error is not included in the projection because the contractor was able to identify the specific claims impacted by the settlement agreement error and provide corrective actions on those claims.

⁴⁰ Refer to Exhibit D for more information on the eligibility and evidence requirements for the three tiers.

⁴¹ The contractor reviewed claims with similar attributes, such as similar language, handwriting, format, phraseology, or geographic location, to determine whether the similarities among a large number of claims could undermine the claims' credibility.

⁴² Additional analysis was conducted on successful claims to determine whether several claimants submitted a claim for the same farming operation. If multiple claimants were successful, the award was split equally between claimants.

⁴³ The contractor completed additional reviews of selected claims to ensure consistency of adjudication decisions.

alleged discrimination by USDA during the relevant period and received a final resolution on his/her claim.⁴⁴ These claimants were referred to as prior participants.

Fraud Review

The Framework required the contractor to establish procedures to identify claims that presented a fraud concern. A claim posed a fraud concern if it contained similar characteristics to other claims, such as similar language, handwriting, format, phraseology, or geographic location. During adjudication, if adjudicators identified claims that looked suspicious, they were to analyze the claims following the contractor's fraud guidelines. Claims where the adjudicator identified a potential fraud concern were noted and elevated for further review. As the process continued, similarities between claims became apparent and the contractor summarized the attributes and formulated possible fraud patterns. The contractor then reviewed the universe of claims to identify claims that fit into these possible fraud patterns. Once this analysis was complete, the contractor provided the patterns and the claims associated with those patterns to the Chief Adjudicator,⁴⁵ who reviewed a sampling of claims from each pattern. From this sampling, the Chief Adjudicator approved the final fraud patterns. Those claims that were determined to fit an approved pattern were subsequently denied for a fraud concern.⁴⁶

During the initial review of the universe of roughly 22,000 claims adjudicated, the contractor identified approximately 5,000 claims that contained similar attributes that fit into 25 approved fraud patterns. For example, almost 2,000 claims had been identified by September 2013 as part of one fraud pattern from areas in Alabama. As the process continued, the number of claims that contained a fraud concern surpassed what was anticipated in the contract. As a result, USDA modified the contract to allow the contractor to conduct a more in-depth review of claims with questionable fraud attributes. The enhanced fraud review included additional queries of the universe to identify claims that fit into established patterns and identified an additional 325 potential patterns.⁴⁷ As a result, there were 350 potential patterns identified during the claims process, of which 176 fraud patterns were approved by the Chief Adjudicator.⁴⁸

We statistically selected samples from the tier 1a, tier 1b, and tier 2 universes to determine whether adjudication decisions were in accordance with guidelines. As part of this review, we determined whether the contractor had identified and consistently evaluated claims that

⁴⁴ These other USDA discrimination settlement processes include *Pigford v. Glickman*; *In Re Black Farmers Discrimination Litigation*; and *Keepseagle v. Vilsack*.

⁴⁵ The contractor hired an independent firm with a Chief Adjudicator that specialized in the adjudication of claims for settlement processes. The Chief Adjudicator served as the team lead for adjudication and was responsible for the final determinations on all claims. The Framework does not allow appeals by claimants or USDA to challenge the adjudicator's decision on a claim, or the adjudicator's decision as to the amount of debt eligible for debt relief.

⁴⁶ If a claim was previously denied because it did not meet evidence requirements, it was generally not denied for a fraud concern. According to OGC, the Framework does not require those claims denied for a fraud concern to be investigated.

⁴⁷ Approximately 90 other potential patterns were identified; however, all claims within those patterns were already denied because they did not meet evidentiary standards.

⁴⁸ This includes the 25 original patterns and 151 new patterns.

presented a fraud concern. While there were fraud concerns for claims in all three tiers, they were most prevalent in tier 1a claims. In our tier 1a sample, the contractor had identified 64 claims that contained questionable fraud attributes, of which 48 claims were ultimately denied for a fraud concern.⁴⁹ Generally, the other claims had been previously denied because they did not meet evidentiary standards.⁵⁰ We generally found these determinations were consistent with the established guidelines.

Overall, we agreed with the contractor's conclusions that a large portion of the adjudicated claims should be denied for fraud based on the patterns approved by the Chief Adjudicator. Of the over 22,000 complete claims, the contractor found that approximately 13,000 claims possibly fit a fraud pattern (approved by the Chief Adjudicator). Ultimately, the Chief Adjudicator denied 10,361 claims for a fraud concern.⁵¹ Any claims that did not fit an approved fraud pattern continued through the adjudication process and were subject to additional processes to ensure they qualified for an award (e.g., single farming operation, quality control review, etc.).

Review of Adjudicated Claims

We selected a total of three statistical samples of claims, one from each tier (1a, 1b, and 2), and one non-statistical sample of tier 1b claims,⁵² to determine if the adjudication decisions were consistent with the Framework and the contractor's procedures.⁵³ We completed our reviews by replicating the contractor's process, as well as completing additional analyses, including comparing the claims across our samples to determine if there were any discrepancies or inconsistencies in adjudication determinations. Based on our review of sampled claims, we identified only a few claims that contained errors. In these cases, the contractor conducted further reviews and immediately took corrective actions on those specific claims affected by these errors. In addition, the contractor established other processes and management controls to mitigate the impact of the errors across the claims universe. Overall, we concluded that the contractor implemented a strong adjudication process and initiated additional processes to ensure that only claimants who met the eligibility and evidentiary standards received an award.

- **Tier 1a Claims**

We selected a random statistical sample of 100 (from over 20,000) tier 1a claims.⁵⁴ We evaluated these claims to determine whether the adjudication decision was consistent with

⁴⁹ The tier 1a sample contained 100 claims.

⁵⁰ Fifteen of the 16 remaining claims were previously denied because they did not meet evidentiary standards. The remaining claim was approved and found not to present a fraud concern.

⁵¹ USDA's Status Report, *Love v. Vilsack*, No. 00-2502 (D.D.C. June 8, 2015).

⁵² We did not have any approved tier 1b claims in our random statistical sample; therefore, to have a complete review, in November 2014, we determined it was necessary to select a non-statistical sample of two out of seven approved tier 1b claims.

⁵³ After the selection of these samples, the contractor implemented additional reviews to fully ensure claims were adjudicated according to the Framework. As a result, the final universe for each of the three tiers was slightly higher or lower than those universes in our samples.

⁵⁴ The Framework required that all unsuccessful tier 2 claims be evaluated under tier 1a; therefore, the universe of tier 1a claims was increased after our sample was drawn.

guidelines and, if approved, the claim met evidentiary standards for tier 1a claims. As such, we conducted extensive fraud reviews of these claims, including comparing them to the fraud guidelines developed by the contractor, and examining them against results of the contractor's fraud analyses. Additionally, we conducted a thorough review of the witness statements included with the tier 1a claims and also compared claims across our sample to ensure consistency in adjudication decisions. We determined that 96 of 100 claims in our random statistical sample were adjudicated in accordance with applicable guidelines. For the four errors we identified, the contractor completed corrective actions specifically for these claims and, where possible, for the entire universe of claims.

For example, for one claim, the contractor's written comments stated that the claim did not meet the substantial evidentiary standard, but the contractor had also selected the checkbox to approve the claim. When we discussed this claim with the contractor, the contractor acknowledged that the written comments were correct and that the contractor had selected the approve checkbox in error. As a result of our discussion, the contractor immediately denied the claim. We were also concerned if other claims in the universe could have this same error. To address our concerns, the contractor queried the universe of claims and found 78 similar instances where the written comments did not match the selected checkbox. The contractor conducted additional analyses and updated these decisions appropriately.⁵⁵

We also determined that the contractor approved a claim without obtaining sufficient documentation to justify the approval. According to the Framework, a claimant who asserted that he/she applied for a loan must have complained of discrimination to a government official in order to meet evidentiary standards for tier 1a. The claim form only asked if the claimant submitted a written complaint. For tier 1a, the Framework required that the adjudicator determine that "[t]he claimant filed an administrative discrimination complaint with USDA on or before July 1, 1997, either individually or through a representative, alleging discrimination by USDA in response to an application for a loan or loan servicing." Based on guidance from USDA, the contractor should have sent an RFI to any claimant who asserted he/she applied for a loan and did not file a written complaint, to determine if that claimant complained orally. In that case, the contractor approved the claim without sending an RFI, although the claimant noted on the claim form that he/she did not submit a written complaint. The contractor should have sent an RFI to validate whether the claimant complained orally, rather than in writing, before making a determination on the claim. We discussed this error with the contractor, who agreed that an RFI should have been sent to the claimant to determine whether an oral complaint was made. As a result, the contractor sent an RFI to the claimant and queried the universe to identify similar error claims. The contractor identified another 23 claims with this error and remedied the issue by sending out RFIs to the impacted claimants. Based on the additional documentation collected, the contractor found 10⁵⁶ of the 23 claims had responded with sufficient documentation to be approved according to the Framework and, therefore, remained approved. The contractor

⁵⁵The claims did not fall within our random statistical sample; therefore, we did not validate whether these decisions were consistent with guidelines.

⁵⁶ One of the 10 claims was later denied because it did not meet other requirements.

reversed the decision from approved to denied for the remaining 13 claims because they did not meet the substantial evidence requirement.⁵⁷

The contractor approved two other claims that did not meet evidentiary standards from the Framework. One of the claims contained attributes that indicated a fraud concern that the contractor did not identify. The contractor generally denied any claims containing at least three fraud attributes. The contractor originally approved this claim; however, the contractor agreed with our finding, reversed the decision, and denied the claim. The other error occurred because the contractor incorrectly evaluated a witness statement for sufficiency and wrongly approved the claim. The contractor agreed with our findings and reversed the decision on this specific claim. Overall, for these two claims, we concluded that the contractor initiated the appropriate corrective action.⁵⁸

- Tier 1b Claims

We selected two separate samples of tier 1b claims; one non-statistical and one random statistical.⁵⁹ We reviewed these claims to determine whether required documentation was provided and evaluated in accordance with guidelines. Additionally, we compared tier 1b claims across our sample to ensure consistency of evaluation by the contractor.

We selected a non-statistical sample of two approved claims.⁶⁰ Based on our review, we did not identify any material errors in the adjudication of the two approved tier 1b claims and concluded that generally they were adjudicated in accordance with the Framework and other guidelines.

We also reviewed a random statistical sample of 25 (from over 250) tier 1b claims. Overall, we determined that 24 of the 25 claims were adjudicated in accordance with applicable guidelines.⁶¹ For one claim, however, we found that the contractor had overlooked a letter included in the claims package which, if identified and evaluated, would have resulted in the claim's approval. Based on our inquiry, the contractor reviewed the document and concluded that it met evidentiary standards because the letter was read into the record at an appeal hearing. The contractor reversed the decision on this claim.

This error led us to complete a more in-depth review of the Framework and the claim form. Based on this review, we identified a slight discrepancy between the Framework and the claim form that is only applicable to tier 1b claims. The Framework required tier 1b claimants to provide documentary evidence to support the elements contained in the claim

⁵⁷ These claims did not fall within our random statistical sample; therefore, we did not validate whether these decisions were consistent with guidelines.

⁵⁸ Based on the two errors (fraud concern and witness statement), we are 95 percent confident that more than 96 percent of all the claims in our tier 1a universe (more than 19,240 claims) have been adjudicated according to guidance.

⁵⁹ The random statistical sample did not contain any approved claims; therefore, we randomly selected a non-statistical sample of two approved claims to determine whether approved claims met evidentiary standards.

⁶⁰ There was a total of 10 tier 1b claims approved during adjudication.

⁶¹ We are 95 percent confident that 90 percent or more of the tier 1b claims in the universe were adjudicated with no errors.

form. However, we found one area of the claim form that did not explicitly state that such documentary evidence is required. We notified Rural Development and OGC officials, as well as the contractor, of this issue and they agreed with our conclusion that a discrepancy existed. To determine if other claims had been impacted by this discrepancy, the contractor queried the universe and was able to identify an additional 10 claims where this discrepancy could have had an impact on the adjudication decision of the claim (where claimants did not submit documentation in support of this particular element of the claim). In consultation with USDA, and in accordance with the Framework, the contractor sent RFIs to those claimants where additional information could help the contractor make a decision on the claim. Based on additional documentation collected from claimants, the contractor determined 1 of the 10 claims met evidentiary standards and reversed the decision. We concluded that based on our non-statistical and statistical sample reviews, as well as the additional corrective actions implemented, the contractor implemented a sufficient review process for evaluating tier 1b claims for awards.

- Tier 2 Claims

We reviewed a random statistical sample of 30 (from over 560) tier 2 claims. We reviewed the claims to determine if the decisions were consistent with the guidelines and, if approved, met evidentiary standards for tier 2 claims. Additionally, the Framework required the contractor to immediately review denied tier 2 claims to determine if they met tier 1a evidence requirements. Therefore, we reviewed tier 2 claims to determine if the contractor evaluated the claims according to tier 2 criteria and, if applicable, under tier 1a requirements. We did not identify any material errors⁶² in the adjudication of tier 2 claims and concluded that generally they were adjudicated in accordance with the Framework and other guidelines.⁶³

Review for Prior Participants

The Framework required the contractor to identify any claimants who participated in any other administrative or civil proceedings alleging lending discrimination by USDA.⁶⁴ According to the Framework, this task was to be completed during the claims administration process, and as needed throughout the claims process to prevent ineligible claimants from receiving an award. The contractor had a list of all prior participants,⁶⁵ which included claimant information such as social security numbers and addresses. The contractor then compared the list to the database of claimants that submitted claims for the Hispanic and

⁶² We identified minor errors in claims processing that overall did not have an impact on the completeness or adjudication determination.

⁶³ We are 95 percent confident that more than 90 percent of the claims in our tier 2 universe have no adjudication issues. While we did not find any material errors, we did not review every claim in the universe and, therefore, cannot conclude it is 100 percent without error.

⁶⁴ To be considered a prior participant and ineligible for the Hispanic and women farmers and ranchers resolution process, a claimant must have submitted a claim for another settlement process (e.g., *Pigford v. Glickman*; *In Re Black Farmers Discrimination Litigation*; or *Keepseagle v. Vilsack*) during the relevant period, and received a final resolution of that claim.

⁶⁵ The contractor had managed the other settlement processes and used that information to create the prior participant lists.

women farmers and ranchers settlement process. When necessary, the contractor completed additional reviews to confirm whether the claimant was a prior participant.⁶⁶

The contractor identified and denied over 1,300 prior participants; over 1,200 of those participants were tier 1a claimants. We reviewed the final approval lists for all three tiers to ensure all prior participants were identified and removed from the process. We identified 23 claimants from the approved tier 1a claims that may have participated in another USDA discrimination settlement process.⁶⁷ We provided this list to the contractor, who completed a more in-depth review. The contractor verified that 2 of the 23 claims were ineligible, and through additional address searches, found 7 more claims (not part of the 23) from tier 1a that were ineligible. The contractor immediately removed these nine claims from the approval list and updated its system of record.⁶⁸

The contractor also did not always timely identify and remove prior participants during claims administration. For example, the contractor found nearly 700 out of over 1,300 prior participants were not identified until claims adjudication (see Finding 2). Overall, we found that although the contractor did not timely identify some prior participants during claims administration, as required, the contractor ultimately removed prior participants from the settlement process.

Overall, based on our tests, we concluded that the contractor implemented an administration and adjudication process that provided adequate assurance that claimants who met the eligibility and evidentiary standards received an award. As required by the Framework, the contractor developed additional processes to ensure consistency of review across the universe of claims. The contractor identified claims that raised a fraud concern or prior participant concern, and conducted additional analysis to ensure the integrity of the claims process. We found the error rate to be very low across the five random statistical and non-statistical samples we selected to evaluate the claims for each tier of the settlement process. We did not find significant errors that would indicate that the contractor was inadequately implementing the claims process. Furthermore, to address our concerns over errors identified, the contractor took additional actions that demonstrated efforts to ensure fair, consistent, and equitable decisions.

With respect to fraud, as part of our review, we determined whether the contractor had identified and consistently evaluated claims in our sample according to the Framework and other established guidelines. Our tests were not designed to determine whether specific claims were fraudulent or whether the contractor had identified all fraudulent claims. According to generally accepted government auditing standards, “[f]raud is a determination to be made through the judicial or other adjudicative system and is beyond auditors’ professional responsibility.” Therefore, we cannot provide absolute assurance that all fraudulent claims were identified by the contractor and removed from this process.

⁶⁶ The contractor reviewed additional documentation, such as claim forms from the other settlements, to determine whether the claimant was a prior participant.

⁶⁷ We did not identify any prior participants on the tier 1b and tier 2 approval lists.

⁶⁸ None of these 30 claims (the 23 we identified and the 7 identified by the contractor) were included in our random statistical sample; therefore, we did not validate whether these decisions were consistent with guidelines.

When we discussed our conclusions with USDA officials, they agreed the error rate was low and stated that in their view the contractor had implemented a sufficient claims process to ensure claimants who met evidentiary standards received an award. As a result, we have no recommendations for additional actions to improve the claims adjudication process or to ensure that claims are provided to eligible claimants.

Section 2: Contract Review

Finding 2: USDA Could Have Better Managed the Hispanic and Women Farmers and Ranchers Contract⁶⁹

USDA's POD, within the Office of Procurement and Property Management,⁷⁰ and Rural Development needed stronger management controls to ensure the claims process was implemented according to the terms and conditions of the contract. Specifically, the contractor did not timely remove ineligible claimants, referred to as prior participants,⁷¹ from the claims process. This resulted in the contractor being overpaid over \$144,000 (see Exhibit A). In addition, Rural Development officials recommended, and POD officials appointed, a COR that did not meet the qualifications to oversee this contract; and these agencies did not adequately supervise the COR. This contributed to the COR improperly authorizing the contractor's proposal for more than \$95,000 to mail claim packages and correspondence by overnight delivery even though the COR did not have authority to commit the Government to these actions.⁷² Finally, even though we did not identify significant deficiencies with the claims review process (see Finding 1), we were unable to locate some contract files at POD. As a result, we could not easily follow procurement actions, and found limited documentation to support that the contractor fully met the terms and conditions of the contract.

Federal regulations require the proper development, maintenance, and oversight of all contractual activities.⁷³ These regulations are in place to ensure that adequate oversight is provided to the contractor, and the contractor follows the terms and conditions of the contract. Additionally, POD procedures provide guidance for specific procurement-related activities, such as minimum qualifications for contracting officials and a listing of documents required to be maintained in the contract file.⁷⁴

USDA's POD and Rural Development were responsible for the management of this contract, with each agency having specific and distinct duties. Specifically, POD officials managed the process to select the contractor that implemented the claims process. The POD officials also assigned a CO to administer the contract. The CO was responsible for modifying contract terms and conditions, determining delivery schedules, making final decisions on invoice payments, and resolving disputes. To avoid any conflict of interest with USDA's Farm Service Agency,⁷⁵ Rural

⁶⁹ USDA Hispanic and Women Farmers and Ranchers Claims Administration and Adjudication, AG-3143-C-12-0011, issued May 10, 2012.

⁷⁰ The Office of Procurement and Property Management is an office under USDA's Departmental Management.

⁷¹ To be considered a prior participant and ineligible for the Hispanic and women farmers and ranchers resolution process, a claimant must have submitted a claim for another settlement process (e.g., *Pigford v. Glickman*; *In Re Black Farmers Discrimination Litigation*; and *Keepseagle v. Vilsack*), and received a final resolution of that claim.

⁷² This resulted in an unauthorized commitment, which is an agreement made by a Government representative who lacked the authority to enter into it on behalf of the Government. As a result, the agreement is not binding but can be subsequently ratified.

⁷³ Federal Acquisition Regulation (FAR), sections 1.601-1.604, 4.800-4.805, and 37.500-37.504, issued March 2005.

⁷⁴ Acquisition Operating Procedures (AOP) No. 2, issued April 24, 2012, and AOP No. 7, issued May 8, 2012.

⁷⁵ USDA farm loans covered by this claims process were administered by the Farm Service Agency beginning in 1994. Prior to that time, the farm loans were administered by the Farmers Home Administration.

Development managed the technical aspects of the contract. Specifically, Rural Development officials recommended a COR, approved by the CO, to function as a liaison between the contractor and USDA. According to the contract, the COR was responsible for monitoring the contractor's performance, performing inspections to assure compliance with terms and conditions, and reviewing and certifying submitted invoices for expenses allowed under the contract.

We reviewed the contract management activities performed by both POD and Rural Development officials. Our review included an analysis of pre-solicitation, solicitation and evaluation, contract award, and contract administration documents. In addition, we reviewed and evaluated the monitoring procedures used to oversee the contract, assessed the qualifications and duties of the COR, and reviewed the invoice and payment processes. Finally, we interviewed contracting officials to better understand the roles of POD and Rural Development for this contract.

Based on our review, we concluded that POD and Rural Development officials did not execute effective internal controls and policies to oversee the development and management of the contract. Specifically, (1) the contractor did not timely remove prior participants from the process, (2) the COR approved services without proper authority, and (3) POD did not properly maintain contract files and documentation.

Contractor Did Not Timely Remove Some Prior Participants

According to the Framework, the contractor was required to identify and deny any claims from claimants that had participated in any other USDA discrimination settlement process (referred to as prior participants). The contract stated that prior participants were to be removed from the claims process and denied during the claims administration phase. The claims involving prior participants were not to proceed to the adjudication process.⁷⁶ Due to the contractor's involvement with all other USDA discrimination settlement processes, the contractor was able to search its own records, which included social security numbers, to identify individuals that had already participated in prior cases, and compare those records to claims submitted for the Hispanic and women farmers and ranchers settlement process.

We found that the contractor did not identify and remove some prior participants during the claims administration process. The contractor conducted searches for social security numbers of claimants submitting a claim to verify they were not prior participants. However, the contractor conducted these searches after the claims were deemed complete and reached adjudication. The contractor was paid between \$33 and \$55.46 for each claim reviewed during the administration phase, but was paid at least an additional \$208.41, about four times the administration rate, for each adjudicated claim. If the contractor had conducted these searches during the administration phase, as required by the Framework, the contractor would not have received the higher rate for adjudicating these claims. After reviewing a sample of claims and interviewing contractor representatives, we found that the contractor forwarded almost 700 prior participants to adjudication because it determined these claims were complete during claims administration. By

⁷⁶ The Framework XII.B, Dual Membership Issues, Other Legal Actions, issued January 2012.

forwarding these ineligible claims to adjudication for an additional review, and not removing them from the process at claims administration, the contractor received at least an additional \$208.41 per claim, totaling over \$144,000. We concluded that this additional money should not have been paid to the contractor.

We discussed these findings with the contractor and with USDA officials. The contractor disagreed and stated that a more in-depth review was needed to identify prior participants, and it was necessary for them to be adjudicated. The contractor stated that even though claims could be identified by a social security number search, a more substantive review would be required at adjudication to confirm a claimant was a prior participant. However, when we reviewed the contractor's process for identifying prior participants, we found that the contractor's adjudicators did not conduct a full review of the claim if the record already indicated that the claimant was a prior participant. Therefore, we questioned why prior participants could not be identified during the claims administration process, as stated in the Framework, and at lower cost to the Government. USDA officials stated that in some cases, specifically when searches do not return a social security number match, prior participants may not be identified until claims adjudication. However, USDA officials also agreed that prior participants should be identified whenever possible during the claims administration phase.

The USDA officials acknowledged that the contract was ambiguous regarding this matter and, thus, the contractor was not entirely responsible for untimely removing prior participants during the claims adjudication phase. The officials added that it was possible USDA contracting officials had verbally authorized the contractor to take this action. The tacit approval could have occurred by the COR or another USDA official granting permission to the contractor to identify prior participants during the claims adjudication process. They agreed that the COR's lack of qualifications may have also contributed to the contractor's actions (see next subsection below). Because of these factors, we concluded that the Department should not seek recovery of the overpayment of more than \$144,000.

Better internal controls and policies to oversee the development and management of the contract by the COR and other USDA officials would have prevented this overpayment of more than \$144,000. Although some prior participants were not identified before adjudication, we generally concluded that the contractor did develop and implement a sufficient process to ultimately remove prior participants from this settlement process (see Finding 1).

COR Lacked Qualifications for Position and Allowed Unauthorized Commitment

Based on POD procedures,⁷⁷ the complexity of this contract required the COR to have at least a level 2 certification. A level 2 certification allows the COR to manage a moderate to high complexity service contract. This certification requires the COR to have a minimum of 40 hours of training and 1 year of experience in addition to the basic COR training.⁷⁸

⁷⁷ AOP No. 2: Federal Acquisition Certification for Contracting Officer Representative (FAC-COR), issued April 24, 2012.

⁷⁸ The basic COR course consists of 32-40 hours of initial training that covers roles and responsibilities, as well as fundamental contract procedures, rules, and regulations. This basic training needs to be concluded prior to completing additional courses to become certified at level 1, level 2, or level 3.

The COR who oversaw the majority of the performance of the contract did not meet these thresholds. Although approved in September 2012, the COR was not certified (even as a level 1), had not yet received basic training, and had limited experience with service contracts. We discussed this issue with Rural Development officials. The former Administrator of the Rural Utilities Service (a Rural Development agency), stated that he recommended this COR because the individual was available, observant, and conscientious of money; therefore, he believed she could effectively carry out the COR responsibilities on this contract. Furthermore, he thought that the COR was working with POD officials to get the level of training that was required. The COR did not actually receive the necessary training until November 2014.

Due to the COR's minimal training and experience, the COR was unaware of the authority and limitations placed on a COR. One of the COR's responsibilities was to manage, review, and certify invoices submitted by the contractor. A copy of the invoice was also sent to the CO (a POD official). Once the COR certified the invoice, it was forwarded to the CO for payment approval. The COR cannot reject or deny invoices because that authority is reserved for the CO. Furthermore, the COR cannot approve items or services not authorized by the contract; such actions would require the CO to develop an additional task order or contract modification.

In April 2013, the COR approved services that were unauthorized by the contract. Specifically, prior to the claims filing deadline of May 1, 2013, the contractor received a number of unanticipated requests for both claim packages and additional correspondence that claimants needed in order to complete and submit their claims on time. As a result, the contractor proposed mailing almost 1,000 claim packages and more than 280 correspondence letters by overnight mail at the rate of \$75 per item to accommodate these requests. The COR, Rural Development officials, and the Office of the General Counsel (OGC) all agreed with the contractor's request. However, these officials did not have the authority to enter into this agreement on behalf of the Government; this authority resided with the CO, who was not informed of these mailings until roughly 3 months later. The contractor moved forward with these overnight mailings at a cost of over \$95,000 because the contractor believed these costs were covered under the terms and conditions of the contract. After the mailings occurred, the CO told the contractor that these costs were unique and should not have been approved by the COR without a task order or modification to the contract. Furthermore, the CO told the contractor that POD would need to initiate a separate review process to allow the contractor to bill for these expenses. This resulted in POD's review of the unauthorized commitment.⁷⁹

In February 2014, we spoke to the COR and POD officials about this finding. According to the COR, there was no other option than to pay for overnight shipments because it was necessary to provide these individuals the opportunity to participate in the claims process prior to the claims submission deadline. While we agree overnight shipments were reasonable, the COR did not follow regulations to approve the contractor's request. A POD official stated that the COR was not familiar with the technical aspects of the contract and was unaware that an unauthorized commitment had occurred. In August 2013, the COR notified POD of the non-binding agreement with the contractor, more than 3 months after the contractor had sent the mailings.

⁷⁹ An unauthorized commitment is an agreement that is not binding solely because the Government official lacked the authority to enter into the agreement on behalf of the Government.

POD officials attributed the unauthorized commitment to the COR's minimal training and inexperience with this complex contract. Overall, POD officials agreed that this was an unauthorized commitment that needed approval, referred to as ratification, from POD before the contractor's reimbursement could be authorized.

For POD to ratify the unauthorized commitment and reimburse the contractor, the COR was required to submit a Request for the Ratification of an Unauthorized Commitment⁸⁰ to POD officials. If the request was ratified by POD officials, then funding could be requested from Rural Development to reimburse the contractor, which could re-submit a proper invoice to receive payment for the expenses. However, if POD denied the ratification request, the COR could be held personally liable to reimburse the contractor.⁸¹

In June 2015, we again met with POD officials and learned that they had not yet ratified the unauthorized commitment. According to a POD official, there were delays in the decision to resolve the unauthorized commitment because POD needed additional time to collect facts and review the circumstances surrounding the mailings. On July 1, 2015, a POD official reviewed the ratification request and approved a payment for most, but not all, of the total unauthorized amount. Specifically, POD determined that the fee of \$75.00 per item for the overnight mailings was not fair and reasonable for the correspondence letters. Therefore, POD officials did not ratify the full amount of the unauthorized commitment, but rather a payment of over \$74,000 for the mailing of the overnight claim packages. On August 13, 2015, POD officials requested funds from Rural Development to pay over \$74,000 resulting from the unauthorized commitment. A Rural Development official approved the request and transferred the funds to POD. This action gave POD the authority to issue a task order, which would be used to pay the contractor once an invoice is submitted. On September 1, 2015, POD issued this task order.⁸²

In summary, the contractor, after receiving approval from the COR, Rural Development, and OGC officials, took immediate action to ensure that all claimants had an opportunity to submit a claim prior to the claim filing deadline. However, this action was not supported by the contract despite the guidance from these USDA officials, which resulted in POD having to initiate the ratification process. We reviewed POD's procedures for the ratification process of unauthorized commitments.⁸³ We found that POD had not established any timeframes for ratifying unauthorized commitments in a timely manner. As a result, our audit found that the contractor has waited over 2 years (April 2013-September 2015) to be reimbursed for mailing claim packages. POD needs to revise its guidance and establish timeframes for the ratification of unauthorized commitments to resolve them in a timely and effective matter.

Based on our findings, Rural Development officials have initiated and completed corrective actions to improve oversight of the contract. First, in November 2014, the COR completed the necessary training and acquired a level 2 certification. In addition, the Administrator for the

⁸⁰ The Request for the Ratification of an Unauthorized Commitment is a form that assists in the process to recommend or not recommend the validation of an action.

⁸¹ FAR, section 1.602-2, issued March 2005.

⁸² The costs of approximately \$21,000 for mailing the correspondence letters were not ratified. The contractor may seek additional compensation and file a claim to dispute this amount.

⁸³ AOP No. 4: Ratification of an Unauthorized Commitment, issued June 18, 2013.

Rural Business-Cooperative Service (a Rural Development agency) increased her supervision of the COR and made monitoring of this contract the COR's primary duty. Although management controls could have been better prior to these corrective actions, we did not identify any weaknesses with the contractor's performance as a direct result of the COR's lack of qualifications. However, given the importance of this contract, we concluded that Rural Development should appoint another qualified COR to review the prior COR's performance and contracting activities, including reviewing the performance of the contractor. If the contractor did not provide deliverables or meet requirements in accordance with the contract, then USDA can assess penalties (such as deductions from invoices). A qualified COR's review will further ensure that the contract was monitored and executed according to its terms and conditions by the contractor.

Limited Documentation in the Contract File

In November 2013, we reviewed the contract file to evaluate whether required documents were being maintained by POD. We found that certain documentation was missing. Specifically, we were unable to locate the acquisition plan, a fair and reasonable pricing determination, the COR designation letters, sub-contractor approval documentation, and the COR's inspection reports to monitor the contractor's performance.

Federal regulations provide examples of documents that are normally included in the contract file to facilitate the review of procurement actions.⁸⁴ These documents provide support for the following contract areas: pre-solicitation, solicitation and evaluation, contract award, post award, and contract administration. In May 2012, POD issued guidance to ensure that all contracts be administered in accordance with regulations.⁸⁵ Specifically, the agency revised the contract file checklist to fully document all pre-award and post-award requirements.

We discussed the lack of contract file documentation with POD officials and also asked whether they could provide any additional information. They agreed that documentation was missing and stated that the lack of documentation occurred due to a high turnover in contracting staff and a non-existent centralized location to maintain contract documents. In March 2015, POD implemented a policy to establish a centralized location and custody procedures to store and retrieve contract files in its Washington, D.C., office. This procedure also requires POD officials to conduct periodic reviews of contract files to ensure staff maintains them properly. We reviewed this policy and found that it was adequate and should ensure contract files are maintained during reorganizations and times of high staff turnover. Additionally, these policies and procedures will help maintain and organize documentation so that POD's management can more easily trace procurement actions, and provide support that contractors fully met the terms and conditions of the contract.

Overall, more effective internal controls, such as supervision and stronger procedures during the claims process, would have helped POD and Rural Development better manage the contract. Since our review began, POD has developed additional procedures to help better manage complex contracts and maintain required documents. However, POD should revise its guidance

⁸⁴ FAR sections 4.803 and 4.804, Government Contract Files, issued March 2005.

⁸⁵ AOP No. 7: Contract File Index, issued May 08, 2012.

to provide for ratification of unauthorized commitments in a timely manner. In addition, Rural Development increased its supervision of the COR to ensure the contractor was properly monitored. Additionally, USDA should appoint a qualified COR to review the prior COR's activities to fully ensure the contractor adequately executed the contract.

Recommendation 1

POD officials should revise and implement POD's AOP No. 4 guidance to require appropriate officials to complete ratification actions within a specified time period after the identification of unauthorized commitments.

Agency Response

In its March 30, 2016, response, the Office of Procurement and Property Management agreed with the recommendation and stated that Departmental Management will revise the Acquisition Operating Procedures to include in the ratification review process guidance to require appropriate officials to complete ratification actions within a specified time period after the identification of authorized commitments. The agency estimates the procedures to be updated by December 31, 2016.

OIG Position

We accept the Office of Procurement and Property Management's management decision.

Recommendation 2

Rural Development officials need to appoint a qualified COR to review the prior COR's activities and the contractor's performance measurements to ensure that the contract was executed in accordance with its terms and conditions (not including the approximately \$144,000 that was overpaid to the contractor for not identifying prior participants during claims administration). This should include assuring that deliverables were in compliance with contract terms, ensuring that the contractor performed requirements of the contract, reviewing certification of invoices for payment, and reviewing all other duties and responsibilities assigned in the COR's Designation Letter. If the appointed COR identifies any discrepancies, work with the CO to ensure appropriate actions are taken to meet regulations, including any penalties that may be assessed.

Agency Response

In its March 30, 2016, response, Rural Development agreed with the recommendation and stated that the agency identified a qualified new COR with a Level II Certification. The new COR will review the prior COR's activities and the contractor's performance measurements to ensure that the contract was executed in accordance with its terms and conditions. The new COR will work with the CO to ensure appropriate actions are taken to meet regulations, including any penalties

that may be assessed. Rural Development estimates these actions to be completed by September 30, 2016.

OIG Position

We accept Rural Development's management decision.

Scope and Methodology

We conducted our audit work of the Hispanic and women farmers and ranchers voluntary administrative claims process by meeting with the contractor in Beaverton, Oregon; USDA OGC officials in Portland, Oregon; Rural Development officials in Washington, D.C.; as well as USDA POD officials in Washington, D.C., and Fort Collins, Colorado. We also reviewed the contract guidelines for administration and adjudication, and analyzed claim and contract files to complete our audit.

We reviewed the contract to determine if it was implemented according to policies and regulations. The Hispanic and women farmers and ranchers claims process made available more than \$1.33 billion in cash awards and tax relief, and \$160 million in debt relief. Claimants could elect to submit a claim under one of the following three tiers: tier 1a, tier 1b, or tier 2. The contractor received approximately 54,000 claim packages between September 2012 and July 2015. Furthermore, the contractor adjudicated approximately 22,000 claims.

We reviewed USDA's management of the contract, and also reviewed submitted claims to determine if the claims review process was adequate. Each tier had different requirements and potential awards (see Exhibit D for tier requirements). We selected and reviewed a random statistical sample of incomplete claims to ensure the contractor processed them according to applicable guidelines. This included verifying that if the contractor determined a claim was incomplete, that the claimant was notified, and provided an opportunity to submit a complete claims package. In February 2014, we randomly selected a statistical sample of 100 (from 22,487) incomplete claims to review.

We also selected a random statistical sample from each of the three tiers to evaluate the claims adjudication process (see Exhibit B for the statistical plan and sampling methodology). In February 2014, we statistically selected 100 (of 20,111) tier 1a claims. Furthermore, in September 2014, we statistically selected 70 of 253 tier 1b claims,⁸⁶ and 80 of 567 tier 2 claims.⁸⁷ We reviewed claims from each of the three tiers to ensure the adjudication decisions were consistent with the Framework and adjudication guidelines.

This report presents results from our review of the Framework and procedures used by the contractor, and analysis of our selected incomplete, tier 1a, tier 1b, and tier 2 sample claims. Periodically throughout the audit, we provided Rural Development and OGC officials with updates on our work. We also discussed the final results of our review with them on June 11, 2015. Finally, we provided feedback to the contractor who generally used our discussions to take additional steps to further improve the claims process.

⁸⁶ In November 2014, we randomly, non-statistically selected two approved tier 1b claims because our statistical sample did not include an approved claim. Less than 4 percent (10 of 253) of timely and complete tier 1b claims were approved.

⁸⁷ For the tier 1b and 2 samples, we stopped reviewing after 25 and 30 claims, respectively, due to the small number of errors found. See Exhibit B for statistical methodology.

To accomplish our objectives, we performed the following procedures:

- Reviewed the Framework, applicable laws, regulations, agency policies, procedures, contract file, and guidance related to claims administration and claims adjudication.
- Reviewed prior OIG reports related to POD and prior USDA claims resolution processes.⁸⁸
- Interviewed USDA Department officials from Rural Development, POD, and OGC to gain a better understanding of policies and procedures. We also interviewed the contractor to gain an understanding of its processes over the administration and adjudication of claims.
- Obtained an understanding of the information systems used in the claims process and assessed its controls. We reviewed a selection of general and application controls over the contractor's information systems to determine if they were present, complete, and valid. This review included an evaluation of the claims process, separation of duties, data input restrictions, and information technology backup and recovery procedures. We found that the contractor's information system used in the claims process was complete.
- Reviewed all claim submissions and associated attachments for our statistical and non-statistical samples of 257 incomplete, tier 1a, tier 1b, and tier 2 claims to verify compliance with the Framework and the contractor's policies and procedures.⁸⁹ We also verified that there was sufficient evidence for the contractor to approve or deny a claim.
- Reviewed the *Pigford v. Glickman*; *In Re Black Farmers Discrimination Litigation*; and *Keepseagle v. Vilsack* participants list to determine if individuals participated in a prior alternate dispute resolution process.
- Evaluated internal controls to ensure the contractor generally gave awards only to eligible applicants.

We performed audit fieldwork from September 2013 to March 2016. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective.

⁸⁸ These reports included: Audit Report No. 50601-0001-21, *In re Black Farmers Discrimination Litigation*, issued December 2013 and Audit Report No. 92501-0001-12, *Review of Procurement Operations*, issued September 2013.

⁸⁹ We reviewed 100 incomplete claims, and 100 tier 1a, 27 tier 1b, and 30 tier 2 claims in adjudication for an overall total of 257 claims reviewed.

Abbreviations

AOP.....	Acquisition Operating Procedure
CO	Contracting Officer
COR	Contracting Officer Representative
DOJ	Department of Justice
FAC-COR	Federal Acquisition Certification for Contracting Officer Representative
FAR.....	Federal Acquisition Regulation
OGC	Office of the General Counsel
OIG	Office of Inspector General
POD.....	Procurement Operations Division
RFI	Request for Information
USDA.....	Department of Agriculture

Exhibit A: Summary of Monetary Results

The table below summarizes monetary results by finding and includes a description, dollar amount, and the category of questioned costs.

Finding Number	Recommendation	Description	Amount	Category
2	2	Fees overpaid to contractor for not identifying prior participants during claims administration.	\$144,011.31	Questioned Costs and Loans, No Recovery
TOTAL			\$144,011.31	

Exhibit B: Statistical Plan

HISPANIC AND WOMEN FARMERS AND RANCHERS CLAIM RESOLUTION PROCESS AUDIT STATISTICAL SAMPLE DESIGN

Background

USDA, in conjunction with the Department of Justice, established a voluntary administrative claims process to resolve valid discrimination allegations by eligible Hispanic and women farmers and ranchers. The objective of our audit was to determine if the claims review process was adequate and functioning as prescribed, and to ensure that funds were distributed only to eligible applicants. Additionally, we were to determine whether the contract was implemented in accordance with policies and regulations. We used a probability sample of claims to support this objective.

Universe Information

All claims in our universe were reviewed by the contractor, who determined whether the applications were eligible, timely submitted during the claims period, and complete. Each claim that was deemed timely and complete was forwarded to claims adjudication for evaluation under the terms of the Framework. The adjudicator determined whether the claimant had proven the elements of his or her claim and made the decision whether to approve or deny the claims. The adjudicator's decision on a claim was based solely on the materials submitted by the claimant unless additional information was needed to make a decision.

Our universe consisted of claims that were classified by the contractor as incomplete, and claims that were deemed complete and moved to adjudication. Based on a set of criteria, the complete claims were classified as tier 1a, tier 1b, or tier 2. The audit team evaluated the contractor's completeness assessment and also reviewed claims that were deemed complete and forwarded to adjudication. Hence, we used four separate universes to review each of these scenarios – one for the set of claims deemed incomplete, and three universes for the complete claims that were forwarded to adjudication (one for each tier). There is no overlap in the claims in our universes.

We had no historical information about the processes we were auditing. The sample designs were based on our internal reporting requirements and the time and resources available to our auditors. We chose to use simple random samples for all universes.

Incomplete Claims

Sample

Design - a simple random sample of incomplete claims.

- Universe size $N = 22,487$ claims
- Sample size $n = 100$ claims, based on:

- A 95 percent confidence level for reporting
- A +/-10 percent precision on estimates in an attribute testing scenario
- A 50 percent expected error rate – most conservative measure

With this sample of 100 incomplete claims, an error rate of 4 percent or higher would be detected with 95 percent probability.

Results

The audit team found five incomplete claims that were not processed correctly. For one of those five claims, the contractor identified all claims in the universe of incomplete claims with the error and took corrective action. Thus, our projections are based on four claims with errors where applicants responded as both non-constructive and constructive, and the claims were not processed correctly. Based on the remaining 96 claims in our sample, we estimate that 21,588 claims were incomplete regardless of whether they asserted they were constructive or non-constructive, or both. We are 95 percent confident that this estimate ranges between 20,711 and 22,464 claims. Table 1 below shows a summary of these results.

Table 1. Incomplete claims estimate

Criteria Tested	Estimate	Standard Error	95% Confidence Interval		Coefficient of Variation	Actual Found	Achieved Precision/Margin of Error
			Lower	Upper			
Incomplete claims	21,588	441.89	20,711	22,464	.020	96	877
as a % of the universe	96.0%		92.1%	99.9%			3.9%

Tier 1a

Sample

Design - a simple random sample of complete tier 1a claims.

- Universe size N = 20,111 claims
- Sample size n = 100 claims, based on:
 - A 95 percent confidence level for reporting
 - A +/-10 percent precision on estimates in an attribute testing scenario
 - A 50 percent expected error rate – most conservative measure

With this sample of 100 tier 1a claims, an error rate of 4 percent or higher would be detected with 95 percent probability.

Results

The audit team found four tier 1a claims with errors. For two of those claims, the contractor identified all claims in the tier 1a universe with the error and took corrective action. Thus, our projections are based on two claims with errors; one in which there was an insufficient witness statement and the other where a fraud concern was not identified. Based on this finding, we are 95 percent confident that more than 96 percent of all the claims in our tier 1a universe (more than 19,240 claims) have been adjudicated according to guidance.

Tier 1b Claims

Sample

Design – a simple random sample of tier 1b claims.

- Universe size $N = 253$
- Sample size $n = 70$ claims, based on:
 - A 95 percent confidence level for reporting
 - A +/-10 percent precision on estimates in an attribute testing scenario
 - A 50 percent expected error rate – most conservative measure

With this sample of 70 tier 1b claims, an error rate of 3 percent or higher would be detected with 95 percent probability.

Results

We were able to apply a stop-or-go sample due to the small errors found during our field work. We stopped the sample review after 25 claims. The audit team identified one claim in which the adjudication determination was not consistent with applicable guidelines. They determined that this inconsistency was related to one specific part of the claim form and were able to query the universe to determine that there were a total of 11 claims impacted by this error (including the sample claim). The contractor took corrective action for these 11 claims. Therefore, the following statistical statement is based on zero errors found in our sample: we are 95 percent confident that 90 percent or more of the tier 1b claims in the universe were adjudicated with no errors.

Tier 2 Claims

Sample

Design - a simple random sample of tier 2 claims

- Universe size $N = 567$ claims
- Sample size $n = 80$ claims, based on:
 - A 95 percent confidence level for reporting
 - A +/-10 percent precision on estimates in an attribute testing scenario
 - A 50 percent expected error rate – most conservative measure

With this sample of 80 tier 2 claims, an error rate of 4 percent or higher would be detected with 95 percent probability.

Results

We found no claims with adjudication errors during sample review. Therefore, we were able to stop our sample review early, at 30 claims, and still achieve statistical precision at the desired 95 percent level of confidence. Based on this finding, we are 95 percent confident that more than 90 percent of the claims in our tier 2 universe have no adjudication issues.

Exhibit C: Results of the Hispanic and Women Farmers and Ranchers Claims Resolution Process⁹⁰

The table below summarizes the number of claimants in each tier who received monetary awards, including cash awards, tax relief, and debt relief.

Tier	Count	Total Award	Cash Award	Tax Relief	Debt Relief
1a	3,176	\$200,373,858.63	\$156,250,000.00	\$39,846,548.49	\$4,277,310.14
1b	10	\$3,674,068.20	\$2,500,000.00	-	\$1,174,068.20
2	24	\$3,346,083.76	\$1,200,000.00	\$519,165.49	\$1,626,918.27
Total:	3,210	\$207,394,010.59	\$159,950,000.00	\$40,365,713.98	\$7,078,296.61

⁹⁰ The data contained in this exhibit were obtained from USDA. Tax relief is the sum of credit and debt tax.

Exhibit D: Tier Descriptions

The table below summarizes each of the three tiers a claimant could elect in the Hispanic and women farmers and ranchers claims process. Additionally, it contains the evidence requirements and potential award amounts for each tier, including tax and debt relief.

	Tier 1a	Tier 1b	Tier 2
Proven By	Substantial Evidence	Preponderance of the Evidence	Substantial Evidence
Documentary Evidence	None	Evidence admissible under the Federal Rules of Evidence	Certain Documentation
Attempt to Apply	Yes	No	No
Cash Award	Up to \$50,000, reduced pro rata	Up to \$250,000, proven actual damages	\$50,000
Tax Relief	Yes, 25% cash +25% principal debt	No	Yes, 25% cash + 25% principal debt
Debt Relief	Yes	Yes	Yes
Cash Limit	A cap of \$1.13 billion, plus balance of tier 2 to \$100 million, plus balance of tier 1b	A cap of \$100 million	No cap to Dollar Awards
Fund Reserve or Shortage	Each successful claimant may receive reduced pro rata of \$50,000, depending on number of total successful claims	If total amounts paid less than \$100M, balance available for tier 1a. If total is more than \$100M, reduced by pro rata	If total amounts paid less than \$100M, balance available for tier 1a
Debt Limit	Debt Relief Capped at \$160 million total for all three Payment Types. If total eligible is exceeded, USDA will not fully cancel all such debt, and debt relief will be reduced on pro rata basis.		
			Tier 2 denials automatically reviewed as tier 1a claims

**USDA'S
RURAL DEVELOPMENT
RESPONSE TO AUDIT REPORT**



TO: Gil H. Harden
Assistant Inspector General for Audit
Office of Inspector General

FROM: Lillian Salerno /s/
Deputy Undersecretary for Rural Development

**SUBJECT: Hispanic and Women Farmers and Ranchers Claim Resolution Process
(Audit Number 50601-0002-21)**

This memorandum serves as Rural Development's (RD) response to the U. S. Department of Agriculture (USDA) Office of Inspector General's (OIG) report, "Hispanic and Women Farmers and Ranchers Claim Resolution Process, (Audit Number 50601-0002-21)," dated March 10, 2016.

Rural Development (RD) appreciates the opportunity to respond to the Draft Report. RD is in general agreement with the findings in the OIG report. However, we would like to provide comments in regards to specific findings and recommendations:

Finding 2: USDA Could Have Better Managed the Hispanic and Women Farmers and Ranchers Contract

Recommendation 2

Rural Development officials need to appoint a qualified COR to review the prior COR's activities and the contractor's performance measurements to ensure that the contract was executed in accordance with its terms and conditions (not including the approximately \$144,000 that was overpaid to the contractor for not identifying prior participants during claims administration). This should include assuring that deliverables were in compliance with contract terms, ensuring that the contractor performed requirements of the contract, reviewing certification of invoices for payment, and reviewing all other duties and responsibilities assigned in the COR's Designation Letter. If the appointed COR identifies any discrepancies, work with the Contracting Officer to ensure appropriate actions are taken to meet regulations, including any penalties that may be assessed.

Agency Response:

On March 9, 2016, RD identified a qualified new COR with a FAC-COR Level II Certification. OPPM acknowledged the new COR in modification 0011 of AG-3143-C-12-0011 on March 16, 2016. The new COR will review the prior COR's activities and the contractor's performance measurements to ensure that the contract was executed in accordance with its terms and conditions. She will work with the Contracting Officer to ensure appropriate actions are taken to meet regulations, including any penalties that may be assessed.

The new COR has received training covering the roles and responsibilities of the acquisition workforce and CORs in reviewing unliquidated obligations, considering contract expenditures prior to increasing contract funds, and ensuring that funds are necessary prior to authorizing obligations. The COR is fully aware of FAR, DR, and Appropriations Law guidance for obligating and expending funds, monitoring funds, and administering contracts. RD will continue to convene monthly acquisition workforce meetings with its CORs to discuss best practices and regulatory changes and to review procurement systems. RD is committed to providing effective management of procurement and contract actions.

Office of Inspector General Draft Audit Report
Audit Number: 50601-0002-21
Rural Development
Management Response

Estimated Completion Date: This work will be completed within 180 days.

If you have any questions, please contact Justin Hatmaker, Chief of Staff, RD-Rural Business-Cooperative Service or Connie Unger, Chief, RD-Credit Reform Branch.

**USDA'S
OFFICE OF PROCUREMENT AND
PROPERTY MANAGEMENT
RESPONSE TO AUDIT REPORT**



MAR 30 2016

United States
Department of
Agriculture


Office of the
Assistant Secretary
for Administration

Office of
Procurement and
Property
Management

300 7th Street
Southwest
Room 302
Reporters Building

Washington, DC
20024

TO: Gil H. Harden
Assistant Inspector General for Audit
Office of Inspector General

FROM: Lisa M. Wilusz 
Director
Office of Procurement and Property Management

SUBJECT: Hispanic and Women Farmers and Ranchers Claim Resolution Process
(Audit Number 50601-0002-21)

Office of Procurement and Property Management (OPPM) appreciates the opportunity to respond to the U. S. Department of Agriculture Office of Inspector General's report, "Hispanic and Women Farmers and Ranchers Claim Resolution Process, (Audit Number 50601-0002-21)," dated March 10, 2016. OPPM is in general agreement with the findings in the Office of Inspector General report and the discussions from the follow-on meeting held on March 29, 2016, between the officials of the Office of Inspector General, Rural Development and OPPM. We would like to provide comments in regards to specific findings:

Finding 2: USDA Could Have Better Managed the Hispanic and Women Farmers and Ranchers Contract

Recommendation 1: POD officials should revise and implement POD's AOP No. 4 guidance to require appropriate officials to complete ratification actions within a specified time period after the identification of unauthorized commitments.

- Agency Action: The HCAD of Departmental Management will revise the Acquisition Operating Procedure to include in the ratification review process guidance to require appropriate officials to complete ratification actions within a specified time period after the identification of unauthorized commitments.
- Target Completion Date: December 31, 2016.

If you have any questions, please contact Richard R. Jiron, Chief, Procurement Operations Division (POD) at Richard.Jiron@ftc.usda.gov, (970) 295-5487; or Brinder Billups, Procurement Analyst/POD at Brinder.Billups@usda.gov, (202) 720-8946.

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